

## Creditors Hoping To Force Jacoby & Meyers Into Bankruptcy

By **Dan Ivers**

Law360, New York (March 18, 2014, 2:49 PM EDT) -- A group of creditors led by LegalZoom.com Inc. have begun efforts to force law firm Jacoby & Meyers Bankruptcy LLP into Chapter 7 proceedings, claiming its recent collapse has left them and the firm's clients in danger of being shortchanged.

In an involuntary bankruptcy petition filed Friday in Manhattan federal court, LegalZoom.com claims it is owed more than \$1 million for leads it delivered to the consumer law giant between July and September of last year. According to its petition, Jacoby & Meyers' recently ceased operations and transferred all of its assets to various trusts, raising concern it may not be able to fulfill its outstanding debts and obligations to its clients.

"The Petitioning Creditors have significant concerns regarding the protection of the Clients, all of whom are believed to be consumers and laypeople in financial distress," the petition said.

According to the petition, Jacoby & Meyers discontinued its practice in late December, and since have allocated all of its assets into the various accounts and appointed Chicago financial professional Robert P. Handler as its trustee.

Handler has indicated that creditors will be paid with contingency fees and the sale of assets such as computers, office furniture and other equipment, the petition said, but has generally refused to inventory the firm's assets or liabilities. The creditors argued that ordering the firm into bankruptcy would increase transparency and ensure the proper steps are taken to pay off its debts.

Neither Handler nor representatives with Jacoby & Meyers could be reached Tuesday for comment.

A message posted in place of Jacoby & Meyers' website advises clients that their case files have been transferred to more than 25 firms across the U.S., none of which are affiliated with the national practice. Two of the firms — The Law Offices of Andrew Magdy LLC and The Law Offices of Steven Long LLC — are listed as creditors on the petition, along with New York attorneys Lisa J. Kristal, William Ward Saxton and Renee F. Frank.

However, the petition claims that some of the attorneys have not received some of the clients' files and have been unable to obtain information from Jacoby & Meyers on the status of the cases.

"The Petitioning Creditors are informed and believe that many Clients may be totally ignorant of what has happened, and quite possibly have no understanding of their rights and remedies with regards to fees that they may have paid but were not earned by the Alleged Debtors," it said.

Jacoby & Meyers Bankruptcy LLC was formed in July 2012 when national consumer law firm Jacoby & Meyers LLC joined forces with Chicago-based Macey Bankruptcy Law, which had previously proclaimed itself to be the country's biggest consumer bankruptcy practice. It is unclear whether it continues to operate in any capacity or what caused it to transfer its cases and assets.

The involuntary bankruptcy case has been assigned to U.S. Bankruptcy Judge Shelley C. Chapman.

LegalZoom.com and the other petitioning creditors are represented by Fred Stevens of Klestadt & Winters LLP.

Counsel information for Jacoby & Meyers was not available Tuesday.

The case is In re: Jacoby & Meyers — Bankruptcy, LLP, case number 14-10641, in the U.S. Bankruptcy Court for the Southern District of New York.

--Editing by Richard McVay.